



CHICAGO TEACHERS UNION

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Attorney General Kwame Raoul
Thompson Center
100 West Randolph Street
Chicago, Illinois 60601

February 12, 2019

Dear Attorney General Raoul:

We are greatly troubled by information that has come to our attention regarding possible self-dealing and the finances of the Chicago International Charter Schools (CICS), also known as the Chicago Charter School Foundation (the foundation), a 501c3 non-profit organization and charter school operating in 14 school sites across Chicago.

As recently as November 2017, CCSF had invested \$19 million of its cash with an investment management firm "C.W. Henderson & Associates" owned by a CICS co-founder, former CICS Board President and Board Treasurer, Craig Henderson. Based on documents received through FOIA to CICS, the contract with Henderson was completed without an open bidding or RFP process. The contract calls for Henderson's firm to receive fees for the investment management services. Craig Henderson was a member of the CICS Board from its founding in 1997 through sometime in 2015 or 2016.

Depending on when Henderson's firm first began to provide investment services, his firm may have received hundreds of thousands of dollars from the foundation over which Craig Henderson has held considerable power and influence. Federal filings of CICS indicate that the non-profit has had millions in investments going back to 2008, though it is not yet known exactly when the investment with C.W. Henderson began.

This investment is made all the more suspicious by C.W. Henderson's investment specialty: generating tax-exempt income from municipal securities. As a federally exempt 501(c)3 non-profit, CICS does not benefit from the tax advantaged investment products offered by C.W. Henderson. Non-profit organizations often do not invest in tax advantaged products like municipal bonds since, as tax-exempt entities themselves, they can get better risk-adjusted returns from taxable bonds. A review of documents filed with the SEC shows that 99.8% of C.W. Henderson clients were individuals and for-profit corporations, further underscoring the strangeness of CICS's allocation to C.W. Henderson. Given this strangeness, we wonder whether the public interest was preserved in CICS's decision to invest in the firm of a connected individual.

Our findings suggest self-dealing and conflicts of interest at the highest levels of a non-profit organization operating charter schools across 14 school sites in Chicago.

We ask that you, Attorney General Raoul, investigate further the dealings between Craig Henderson, his firm C.W. Henderson & Associates, the Chicago Charter School Foundation and CICS.

The following attachments are included for additional details and sourcing:

- A document that contains our analysis of information we have on the Henderson contract, as well as a short summary of another potential conflict of interest involving CICS Board Member Catherine Gottfred;
- A copy of the 2018 contract for investment management services between CICS and C.W. Henderson & Associates; and
- A copy of CICS Board meeting notes from November 2017 which note the \$19 million investment with C.W. Henderson.

Sincerely,



Jesse Sharkey
President

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